

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE, AT ITS FEBRUARY 17, 2023 MEETING, TO APPLY A TIERED FEE STRUCTURE TO ESTABLISH AN ALLOWANCE IN PROJECT BUDGETS TO FUND GENERAL ADMINISTRATIVE AND OVERHEAD EXPENSES OF THE OFFICE OF CAPITAL IMPROVEMENT PROJECTS (CIP) AND ITS PROJECT MANAGEMENT, ADMINISTRATION AND OVERSIGHT FUNCTIONS WITH A YEAR-END RECONCILIATION TO ALLOCATE THE COST OF ACTUAL LABOR HOURS SPENT PER PROJECT TO THE CIP DEPARTMENT; AND FURTHER ACCEPTING THE COMMITTEE'S RECOMMENDATION TO CHARGE THE APPROPRIATE FUNDS TO DEFRAY THE COSTS OF PROJECT OVERSIGHT FOR PROJECTS IN DEVELOPMENT, BUT NOT YET BUDGETED, INSTEAD OF TREATING SUCH EXPENSES AS GENERAL OVERHEAD COSTS.

WHEREAS, the Office of Capital Improvement Projects (CIP) provides project development and construction program management services for major capital projects in the City of Miami Beach; and

WHEREAS, the CIP department has 33 full time employees composed of senior management, architects, engineers, construction managers (in different categories of experience and responsibility), financial managers, field inspectors, and administrative personnel; and

WHEREAS, the departmental functions are divided into Project Development and Project Administration. The Project Development function includes staff directly managing the capital projects and represents 65% of the operating budget; and

WHEREAS, the Project Administration function includes staff providing indirect support to the project managers including financial and administrative functions and represents 35% of the operating budget; and

WHEREAS, CIP is currently managing approximately 50 active projects in the planning, design, permitting and construction phases; and

WHEREAS, departmental functions include the selection and management of contractors and consultants using a variety of project delivery methods including job order contracting, design-build, construction management at risk, and design-bid-build; and

WHEREAS, CIP often also works on evaluation and development of projects that are not yet defined capital projects; and

WHEREAS, in FY 2022, these tasks represented 25% of Development staff time (expenses related to these projects should be charged to the respective operating funds: General Fund, Enterprise Funds and Special Revenue Funds); and

WHEREAS, presently, project oversight costs for projects in development are treated as general overhead, and therefore charged to budgeted capital projects; and

WHEREAS, at the June 22, 2022 City Commission meeting, a discussion on cost allocations or percentages charged to capital projects to fund the operations of the CIP was referred to the Finance and Economic Resiliency Committee (FERC); and

WHEREAS, on October 31, 2022, the item was presented at the FERC meeting to advise that the Office of Management and Budget retained Matrix Consulting Group (Matrix) to conduct an analysis of the current methodology being utilized to allocate the annual costs of the CIP Department and discuss options for recovering costs from capital projects based upon best practices, industry standards, and defensibility; and

WHEREAS, Matrix performed an analysis of the current CIP allocation methodology, alternative options explored, and recommendations on the most practical and equitable methodologies to allocate these costs, in alignment with best practices (Exhibit A); and

WHEREAS, the methodology recommended by Matrix on recovering the annual CIP project management fee is based on actual labor hours spent by CIP staff managing the projects; and

WHEREAS, Matrix has recommended the utilization of the same fiscal year's actual labor hours spent per project to allocate the fiscal year-end costs of the CIP Department; and

WHEREAS, the charges to each project will be calculated based on the percentage of labor hours associated to each project and applied to the full CIP Department Budget; and

WHEREAS, for existing and new potential projects, a tiered administrative percentage structure that scales down as the project budget increases has been recommended to estimate the administrative fee associated to managing the project; and

WHEREAS, this tiered structure is intended to address the inequity of utilizing a singular percentage (i.e., 6.5%) across all projects, regardless of budget size, and to ensure that the percentage charged for projects valued at less than \$10 million better captures the actual cost of oversight for such projects; and

WHEREAS, in addition, the Administration has recommended that the efforts spent on evaluation and development of projects that are not yet defined capital projects, be budgeted as chargebacks to the appropriate Fund based on the historical percentages above; and

WHEREAS, the actual charges for projects in development would be posted to the related operating budget at year-end, based on Labor Hours described above; and

WHEREAS, the Finance and Economic Resiliency Committee discussed this item at its February 17, 2023 meeting and passed a motion recommending that the City Commission adopt a resolution to apply a tiered allocation methodology to determine charges against project budgets, for budgetary purposes, to fund the cost of oversight by the Office of Capital Improvement Projects for CIP projects, as well as to charge the appropriate Funds to defray the costs of project oversight for projects in development, but not yet budgeted, instead of treating these as general overhead costs.

NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, that, following a duly noticed public hearing on March 27, 2023, the Mayor and City Commission hereby accepts the recommendation of the Finance and Economic Resiliency's recommendation to use a tiered fee structure, as noted in the attached Exhibit "A", to establish an allowance in project budgets to fund general administrative and overhead expenses of the Office of Capital Improvement Projects (CIP) and its project management, administration and oversight functions with a year-end reconciliation to allocate the cost of actual labor hours spent per project to the CIP Department, and further, accepting the Committee's recommendation to charge the appropriate Funds to defray the costs of project oversight for projects that are in development, but not yet budgeted, instead of treating such expenditures as overhead costs.


PASSED and ADOPTED this _____ day of _____, 2023.

Dan Gelber, Mayor


ATTEST:

Rafael E. Granado, City Clerk

**APPROVED AS TO
FORM & LANGUAGE
& FOR EXECUTION**



City Attorney

 3-13-23
Date